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REFERENCE TITLE: **taxation; solar energy equipment**

State of Arizona  
House of Representatives  
Forty-sixth Legislature  
Second Regular Session  
2004

## **HB 2613**

Introduced by  
Representatives Graf: Boone, Carruthers, Clark, Johnson, Pearce

### **AN ACT**

AMENDING SECTIONS 42-14155, 43-222 AND 43-1083, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1083.01; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1182; RELATING TO TAXATION OF SOLAR ENERGY EQUIPMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-14155, Arizona Revised Statutes, is amended to  
3 read:

4 42-14155. Valuation of renewable energy equipment; definition

5 A. Through December 31, 2011, the department shall determine the  
6 valuation of taxable renewable energy equipment in the manner prescribed by  
7 this section.

8 B. The value of renewable energy equipment is twenty per cent of the  
9 depreciated cost of the equipment.

10 C. For the purposes of this section, "renewable energy equipment"  
11 means electric generation facilities, electric transmission, electric  
12 distribution, gas distribution or combination gas and electric transmission  
13 and distribution and transmission and distribution cooperative property that  
14 is located in this state, that is used or useful for the generation, storage,  
15 transmission or distribution of electric power, energy or fuel derived from  
16 solar, wind or other nonpetroleum renewable sources. ~~not intended for~~  
17 ~~self-consumption, including~~ RENEWABLE ENERGY EQUIPMENT INCLUDES PROPERTY THAT  
18 USES SOLAR THERMAL WATER HEATING SYSTEMS AND materials and supplies and  
19 construction work in progress, but ~~excluding~~ EXCLUDES licensed vehicles and  
20 property valued under sections 42-14154 and 42-14156.

21 Sec. 2. Section 43-222, Arizona Revised Statutes, is amended to read:

22 43-222. Income tax credit review schedule

23 Each year the joint legislative income tax credit review committee  
24 shall review the following income tax credits:

25 1. In 2003, sections 43-1074.01, 43-1081, 43-1085, 43-1168, 43-1170,  
26 43-1173 and 43-1178.

27 2. In 2004, sections 43-1081.01, 43-1083, 43-1084 and 43-1170.01.

28 3. In 2005, sections 43-1087, 43-1088, ~~and~~ and 43-1175.

29 4. In 2006, sections 43-1073, 43-1089, 43-1089.01, 43-1089.02,  
30 43-1090, 43-1176 and 43-1181.

31 5. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,  
32 43-1166, 43-1167 and 43-1169.

33 6. IN 2009, SECTIONS 43-1083.01 AND 43-1182.

34 Sec. 3. Section 43-1083, Arizona Revised Statutes, is amended to read:

35 43-1083. Credit for solar energy devices

36 A. A credit is allowed against the taxes imposed by this title for  
37 each resident who is not a dependent of another taxpayer for installing a  
38 solar energy device, as defined in section 42-5001, during the taxable year  
39 in the taxpayer's residence located in this state. The credit is equal to  
40 twenty-five per cent of the cost of the device.

41 B. The maximum credit in a taxable year may not exceed one thousand  
42 dollars. The person who provides the solar energy device shall furnish the  
43 taxpayer with an accounting of the cost to the taxpayer.

1 C. A THE taxpayer ~~may claim the credit under this section only once in~~  
2 ~~a tax year and~~ may not ~~cumulate~~ ACCUMULATE over FIVE different tax years tax  
3 credits under this section exceeding, in the aggregate, ~~one~~ FIVE thousand  
4 dollars ~~for~~ WITH RESPECT TO the same residence.

5 ~~C.~~ D. If the allowable tax credit exceeds the taxes otherwise due  
6 under this title on the claimant's income, or if there are no taxes due under  
7 this title, the amount of the claim not used to offset taxes under this title  
8 may be carried forward for not more than five consecutive taxable years as a  
9 credit against subsequent years' income tax liability.

10 ~~D.~~ E. A husband and wife who file separate returns for a taxable year  
11 in which they could have filed a joint return may each claim only one-half of  
12 the tax credit that would have been allowed for a joint return.

13 ~~E.~~ F. The credit allowed under this section is in lieu of any  
14 allowance for state tax purposes for exhaustion, ~~AND~~ wear and tear of the  
15 solar energy device under section 167 of the internal revenue code.

16 ~~F.~~ G. To qualify for the credit under this section the solar energy  
17 device and its installation shall meet the requirements of title 44, chapter  
18 11, article 11.

19 ~~G.~~ H. A solar hot water heater plumbing stub out that was installed  
20 by the builder of a house or dwelling unit before title was conveyed to the  
21 taxpayer does not qualify for a credit under this section, but the taxpayer  
22 may claim a credit for the device under section 43-1090 or 43-1176 under the  
23 circumstances, conditions and limitations prescribed by section 43-1090,  
24 subsection C or 43-1176, subsection C, as applicable.

25 Sec. 4. Title 43, chapter 10, article 5, Arizona Revised Statutes, is  
26 amended by adding section 43-1083.01, to read:

27 43-1083.01. Credit for commercial solar energy devices

28 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2003, A  
29 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR INSTALLING ONE  
30 OR MORE SOLAR ENERGY DEVICES, AS DEFINED IN SECTION 42-5001, DURING THE  
31 TAXABLE YEAR FOR COMMERCIAL OR INDUSTRIAL PURPOSES IN THE TAXPAYER'S TRADE OR  
32 BUSINESS LOCATED IN THIS STATE.

33 B. THE AMOUNT OF THE CREDIT IS EQUAL TO TWENTY-FIVE PER CENT OF THE  
34 COST OF THE DEVICE OR FIVE THOUSAND DOLLARS, WHICHEVER IS LESS.

35 C. THE PERSON WHO PROVIDES OR INSTALLS THE SOLAR ENERGY DEVICE SHALL  
36 FURNISH THE TAXPAYER WITH AN ACCOUNTING OF THE COST TO THE TAXPAYER.

37 D. THE TAXPAYER MAY NOT ACCUMULATE OVER FIVE DIFFERENT TAX YEARS TAX  
38 CREDITS UNDER THIS SECTION EXCEEDING, IN THE AGGREGATE, TWENTY-FIVE THOUSAND  
39 DOLLARS WITH RESPECT TO THE SAME LOCATION.

40 E. THE TAXPAYER MAY ELECT TO TRANSFER A CREDIT UNDER THIS SECTION TO  
41 THE PROJECT DEVELOPER OR A FINANCIAL INSTITUTION. IF THE TAXPAYER ELECTS TO  
42 TRANSFER THE CREDIT, THE TAXPAYER SHALL DELIVER TO THE PROJECT DEVELOPER OR  
43 FINANCIAL INSTITUTION A WRITTEN STATEMENT THAT THE TAXPAYER HAS ELECTED NOT  
44 TO CLAIM THE CREDIT AND THAT THE PROJECT DEVELOPER OR FINANCIAL INSTITUTION

1 MAY CLAIM THE CREDIT, SUBJECT TO THE CONDITIONS AND LIMITATIONS PRESCRIBED BY  
2 THIS SECTION.

3 F. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS  
4 TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS  
5 TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY  
6 BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A  
7 CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

8 G. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND  
9 SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL  
10 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED  
11 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS  
12 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN  
13 ALLOWED A SOLE OWNER.

14 Sec. 5. Title 43, chapter 11, article 6, Arizona Revised Statutes, is  
15 amended by adding section 43-1182, to read:

16 43-1182. Credit for commercial solar energy devices

17 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2003, A  
18 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR INSTALLING ONE  
19 OR MORE SOLAR ENERGY DEVICES, AS DEFINED IN SECTION 42-5001, DURING THE  
20 TAXABLE YEAR FOR COMMERCIAL OR INDUSTRIAL PURPOSES IN THE TAXPAYER'S TRADE OR  
21 BUSINESS LOCATED IN THIS STATE.

22 B. THE AMOUNT OF THE CREDIT IS EQUAL TO TWENTY-FIVE PER CENT OF THE  
23 COST OF THE DEVICE OR FIVE THOUSAND DOLLARS, WHICHEVER IS LESS.

24 C. THE PERSON WHO PROVIDES OR INSTALLS THE SOLAR ENERGY DEVICE SHALL  
25 FURNISH THE TAXPAYER WITH AN ACCOUNTING OF THE COST TO THE TAXPAYER.

26 D. THE TAXPAYER MAY NOT ACCUMULATE OVER FIVE DIFFERENT TAX YEARS TAX  
27 CREDITS UNDER THIS SECTION EXCEEDING, IN THE AGGREGATE, TWENTY-FIVE THOUSAND  
28 DOLLARS WITH RESPECT TO THE SAME LOCATION.

29 E. THE TAXPAYER MAY ELECT TO TRANSFER A CREDIT UNDER THIS SECTION TO  
30 THE PROJECT DEVELOPER OR A FINANCIAL INSTITUTION. IF THE TAXPAYER ELECTS TO  
31 TRANSFER THE CREDIT, THE TAXPAYER SHALL DELIVER TO THE PROJECT DEVELOPER OR  
32 FINANCIAL INSTITUTION A WRITTEN STATEMENT THAT THE TAXPAYER HAS ELECTED NOT  
33 TO CLAIM THE CREDIT AND THAT THE PROJECT DEVELOPER OR FINANCIAL INSTITUTION  
34 MAY CLAIM THE CREDIT, SUBJECT TO THE CONDITIONS AND LIMITATIONS PRESCRIBED BY  
35 THIS SECTION.

36 F. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS  
37 TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS  
38 TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY  
39 BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A  
40 CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

1           G. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A  
2     PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED  
3     UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS  
4     ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN  
5     ALLOWED A SOLE OWNER.

6           Sec. 6. Purpose

7           Pursuant to section 43-223, Arizona Revised Statutes, the legislature  
8     enacts sections 43-1083.01 and 43-1182, Arizona Revised Statutes, as added by  
9     this act, to encourage taxpayers to install solar energy devices in their  
10    businesses that are located in this state.